

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8146
BILL NUMBER: HB 1001

DATE PREPARED: Mar 26, 1999
BILL AMENDED: Mar 25, 1999

SUBJECT: State Budget.

FISCAL ANALYST: Alan Gossard, Jim Sperlik
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FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) *State Budget*: This bill appropriates state money for the biennium beginning July 1, 1999, and ending June 30, 2001. This bill authorizes certain capital projects.

Swap Agreement: This bill amends the law concerning swap agreements.

Supplemental Wastewater and Drinking Water Assistance Funds: This bill combines the Supplemental Wastewater Assistance Fund and the Supplemental Drinking Water Assistance Fund.

Education: This bill revises the primetime formula and provides for school funding. It establishes an education block grant program to be used for expanding certain programs. The bill also revises the vocational education grant program.

Tax Provisions: This bill converts the earned income tax deduction to a maintenance of effort cash assistance grant program. It maintains the income tax deduction for rehabilitation of historic property at its current level through July 1, 2001.

Administrative Provisions: The bill eliminates the requirement that the governor and budget agency approve the hiring of certain professional staff by the utility regulatory commission. The bill also adjusts the criteria for eligibility to participate in the CHOICE program while paying only a portion of the cost of services. It eliminates the requirement that the director of the Teachers' Retirement Fund be a member of the fund.

Effective Date: (Amended) July 1, 1998; January 1, 1999; Upon Passage; July 1, 1999; January 1, 2000; January 1, 2001.

Explanation of State Expenditures: (Revised) This bill appropriates funds for the FY2000 and FY2001 biennium. The appropriations made in this bill are summarized in the following tables.

Total Appropriations (Operating and Capital): FY2000-FY2001.				
Fund Type	FY 2000	FY 2001	Biennial Appropriations	Total Appropriations
General Fund	6,789,733,345	7,087,515,275	787,832,112	14,665,080,732
Dedicated Funds	3,351,108,090	3,503,592,920	236,441,557	7,091,142,567
<u>Federal Funds</u>	<u>604,275,523</u>	<u>624,904,943</u>	<u>1,467,100</u>	<u>1,230,647,566</u>
Total	10,745,116,958	11,216,013,138	1,025,740,769	22,986,870,865
Note: These totals are subject to verification with the State Budget Agency.				

Operating Appropriations: FY2000-FY2001.				
Fund Type	FY 2000	FY 2001	Biennial Appropriations	Total Appropriations
General Government				
General Fund	366,078,889	370,113,789	100,101,818	836,294,496
Dedicated Funds	21,842,418	20,842,418	1,607,876	44,292,712
Federal Funds			1,467,100	1,467,100
Total	387,921,307	390,956,207	103,176,794	882,054,308
Public Safety				
General Fund	593,611,326	595,616,585	42,569,730	1,231,797,641
Dedicated Funds	178,128,500	175,008,376	1,472,500	354,609,376
Federal Funds				
Total	771,739,826	770,624,961	44,042,230	1,586,407,017
Conservation and Environment				
General Fund	80,918,389	81,607,953	10,484,318	173,010,660
Dedicated Funds	107,022,105	107,041,501	6,005,760	220,069,366
Federal Funds				
Total	187,940,494	188,649,454	16,490,078	393,080,026
Economic Development				
General Fund	39,280,983	39,634,405	58,350,000	137,265,388
Dedicated Funds	1,283,788	1,283,788		2,567,576
Federal Funds				
Total	40,564,771	40,918,193	58,350,000	139,832,964
Transportation				
General Fund	1,144,948	1,162,680		2,307,628
Dedicated Funds	576,056,015	585,718,108	22,223,569	1,183,997,692
Federal Funds	578,092,927	598,722,347		1,176,815,274
Total	1,155,293,890	1,185,603,135	22,223,569	2,363,120,594
Health and Human Services				
General Fund	1,733,663,861	1,792,779,727	13,520,000	3,539,963,588
Dedicated Funds	186,018,787	189,415,654		375,434,441
Federal Funds				
Total	1,919,682,648	1,982,195,381	13,520,000	3,915,398,029
Education				
General Fund	3,975,034,949	4,206,600,136	69,025,000	8,250,660,085
Dedicated Funds	1,264,826,477	1,354,678,075		2,619,504,552
Federal Funds	26,182,596	26,182,596		52,365,192
Total	5,266,044,022	5,587,460,807	69,025,000	10,922,529,829
Property Tax Replacement Fund	1,015,930,000	1,069,605,000		2,085,535,000
Targeted Tax Relief Fund				
Total Operating Appropriations				
General Fund	6,789,733,345	7,087,515,275	294,050,866	14,171,299,486
Dedicated Funds	3,351,108,090	3,503,592,920	31,309,705	6,886,010,715
Federal Funds	604,275,523	624,904,943	1,467,100	1,230,647,566
Total	10,745,116,958	11,216,013,138	326,827,671	22,287,957,767
Note: These totals are subject to verification with the State Budget Agency.				

Capital Appropriations: FY2000-FY2001.				
Fund Type	FY 2000	FY 2001	Biennial Appropriations	Total Appropriations
Build Indiana				
Local Projects			85,126,381	85,126,381
<u>IN Technology Fund</u>			74,000,000	74,000,000
Total Dedicated			159,126,381	159,126,381
Construction				
State General Fund - Lease Rentals			124,044,008	124,044,008
State General Fund - Construction			369,737,238	369,737,238
Total General			493,781,246	493,781,246
State Police Building Account			1,955,580	1,955,580
Law Enforce. Academy Bldg Fund			1,700,000	1,700,000
Cigarette Tax Fund (Nat'l Resource)			8,927,601	8,927,601
Veterans' Home Building Fund			4,080,031	4,080,031
<u>Postwar Construction Fund</u>			29,342,259	29,342,259
Total Dedicated			46,005,471	46,005,471
Total Construction			539,786,717	539,786,717
Total Capital Appropriations				
General Fund			493,781,246	493,781,246
<u>Dedicated Funds</u>			205,131,852	205,131,852
Total			698,913,098	698,913,098
Note: These totals are subject to verification with the State Budget Agency.				

***Federal Funds:* Federal funds that are allocated in this bill appear in the summary tables. However, the bill does not include all federal fund allocations which may be appropriated in statute.

Bonding Authority

Bonding Authority: Bonding authority of \$131,547,000 for state universities is also provided in the bill. However, these amounts are not included in the tables, above. Also authorized in the bill, but not included in the table, are \$12,070,000 in university construction projects financed through lease-purchase arrangements.

Authorized Projects: The bill also authorizes the State Office Building Commission to provide one additional medium security correctional facility. No specific appropriation or bonding authority is provided in the bill.

Education

Education Block Grant Program: The bill appropriates \$15 M in FY2000 and \$96 M in FY2001 for the Education Block Grant Program. This block grant is to be used in addition to other distributions and is to be used to expand or enhance programs in the following areas: alternative education, summer school programs, remediation, reading improvement, gifted and talented programs, optional full day kindergarten.

Indiana Technology Fund programs: For the biennium, \$74 M is appropriated from the Build Indiana Fund to the Indiana Technology Fund. These funds are to be allocated to Libraries (INSPIRE project), Intelenet,

and the Department of Education/technology grants.

School Funding Formula: This bill would set the school funding formula caps for CY 2000 and CY 2001, respectively, at \$3,116,800,000 and \$3,250,300,000.

Vocational Education Grants: The bill revises the Vocational Education grant program and establishes a three tiered approach based upon the Department of Workforce Development projected job demands. It provides a waiver to recognize local market economic demands.

Pension Relief: This bill appropriate \$100 million to the Pension Relief Fund for police and fire pensions and \$100 M to the Teacher's Retirement Fund. The bill also appropriates \$65 M to TRF Pension Reserve Fund.

Local Road and Street Funding: This bill appropriates \$100 M annually to the Local Road and Street Fund.

Tax Provisions

Cash Assistance Grants: This bill creates a cash assistance grant to replace the earned income tax deduction which is repealed in the bill. The amount of the grant is based on the same calculation used to determine the earned income tax deduction. Therefore there would not be an additional impact to the state. The bill appropriates \$14 M annually to make these grants. The grant expenditures would replace the revenue loss the state would have occurred loss from the income tax deduction.

Explanation of State Revenues:

Historic Tax Rehabilitation Tax Credit: This bill continues the cap of \$750,000 for this tax credit for FY 2000 and FY 2001 which was set to return to the \$450,000 after FY 1999.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) This bill makes appropriations for tuition support, Property Tax Replacement Credits and Homestead Credits.

State Agencies Affected: All

Local Agencies Affected: All

Information Sources: State Budget Agency; Department of Education; Family and Social Services Administration - Division of Family and Children; State Tax Board; Department of Revenue.